Studies call for climate change policy from government
Platts Oil & Gas Journal
Paula Dittrick
May 20, 2008

Recent studies indicate that corporate pressure is building globally for lawmakers to address climate change.

More than 75% of companies surveyed in worldwide energy, utilities, chemical, forest products, metals, and mining industries are looking to policymakers for a clean, consistent framework on global emission targets, reported Accenture in a recently released study.

In a separate survey, conducted in the US, Deloitte LLP reported that 82% of consumers believe it's important for regulators to impose laws reducing greenhouse gas (GHG) emissions. Deloitte released its findings at the Deloitte Energy Conference in Washington, DC.

The Investor Network on Climate Risk on May 20 released a letter calling on the US Congress to set a target and timetable to reduce emissions. The network, directed by Ceres, represents about 60 institutional investors focused on the impacts of climate change on business. Ceres is a coalition of investors, environmental groups, and other public interest organizations working with companies to address sustainability issues. "In the current unpredictable national climate policy environment, it is difficult and risky for businesses to justify the large-scale, long-term capital investments needed to seize existing and emerging opportunities to transition to a clean, low-carbon economy," said Investor Network.

"With the proper incentives and market conditions, we are confident that business opportunities could expand dramatically, low-carbon technologies that are available today could be broadly deployed, and significant reductions in emissions could be achieved over the next few decades," Investor Network said.

Accenture surveyed executives
Accenture surveyed more than 130 executives at energy, utilities, chemical, and natural resources companies in North America, South America, Europe, Asia, and Africa. The research was based on telephone interviews conducted from December through March.

Participating executives said that while they recognize their own role in addressing climate change, they look to politicians to initiate solutions by providing clear regulatory frameworks for business planners.

Asked which groups are most likely to influence long-term carbon emissions, 84% said politicians and policymakers, 71% said energy providers, and 64% said industrial users.

"Our research indicates that we are undergoing a tipping point on the topic of climate change, as governments, customers, investors, and employees are taking action—recognizing the inevitability of moving step-by-step toward a low-carbon or no-carbon economy," said Sander van't Noordende, group chief executive of Accenture's resources operating group.

Resources companies face fundamental opportunities regarding climate change strategies, participating in carbon and financial markets, and investing in the evolution of energy-related physical infrastructure, he said.

The opinions of executives differed by geography, with 73% of respondents in the European Union saying they regard GHG emissions as an inescapable part of their business compared with 37% of respondents based outside the EU.

"Resources companies in the EU countries regard their management of carbon emissions as an important element of corporate strategy and performance, not simply as a regulatory burden," Accenture said. Of EU respondents, 53% regard GHG emissions performance as a key operational metric compared with fewer than 40% in other regions.

The study noted that where a policy framework exists, companies are focused on investing and making money in a low-carbon economy. But companies faced with an evolving national policy are proceeding with measured responses.

"Regardless of the timing of policy implementation, resources companies need to understand and actively manage the other three main drivers of business success around climate change: customer attitudes, technology innovation, and new business models," Van't Noordende said.

Consumers, regulators mindful

Deloitte said its recent concurrent surveys of state public regulators and US residential electricity consumers indicated that regulators expect the costs of producing electricity to be higher, while consumers would pay higher rates to help mitigate climate change.

In a survey of 50 state public utility regulators, 87% expect the costs of producing electricity to rise next year. Fuel prices were cited as the key contributing factor by 35%, while 23% cited environmental compliance, 21% cited capital costs, and 11% cited inflation, Deloitte said.

In the consumer survey, 62% said they would be willing to pay 5% more on their electric bills to stop GHG emissions. When asked about specific technologies, 55% said they would pay 5% more to support clean coal technology.

Deloitte's consumer survey, based on telephone interviews with 1,000 adults, showed 82% of participants believe it's important for regulators to impose laws reducing GHG emissions, yet 45% did not know whether their state had passed such regulations.
Of state regulators surveyed, 83% said they are somewhat or very concerned with GHG emissions, and 70% indicated it was important to mandate reduced GHG emissions through state regulation, Deloitte reported.

When asked to rank preferences for various GHG emissions-reduction technologies, regulators ranked nuclear power as the preferred technology, while energy efficiency technologies were second, renewable energy ranked third, and clean coal ranked last. Nearly 90% of consumers surveyed, said they believe that increased consumer use of renewable energy sources, such as wind and solar, will help the environment.

Greg Aliff, Deloitte vice-chairman and US Energy & Resources leader, said consumers "show a desire for more-efficient energy and a willingness to pay some amount for it. The real question is just how much these technology advances will actually cost, and how much consumers are going to willingly accept."

Contact Paula Dittrick at paulad@ogjonline.com.